

Message Text

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64 S

ACTION EUR-12

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00 CIAE-00

PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 SAJ-01 ACDA-07 EB-07 MC-02 COME-00 /070 W

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O 192030Z MAY 76

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 9859

USMISSION NATO BRUSSELS IMMEDIATE

SECDEF WASHDC IMMEDIATE

DEPT OF TREASURY WASHDC IMMEDIATE

DIA WASHDC IMMEDIATE

CJCS WASHDC IMMEDIATE

C O N F I D E N T I A L OTTAWA 2017

DOD OF DEPSEC DEFENSE ELLSWORTH

TREASURY FOR GENERAL COUNSEL ALBRECHT

E.O. 11652: GDS

TAGS: MARR, MILI, CA

SUBJ: LRPA - INITIAL REACTIONS TO CABINET DECISION

REF: OTTAWA 1997

1. BEGIN SUMMARY: ALTHOUGH PRESS HAS WIDELY REPORTED NEWS THAT LOCKHEED DEAL OFF UNLESS CASH RAISED BY FIRM, AND TV AND RADIO HAVE ALREADY CONJECTURED EXTENSIVELY REGARDING FUTURE OF DEFMIN RICHARDSON, INITIAL PRIVATE SOUNDINGS IN GOC HAVE INDICATED THAT WHILE SITUATION BLEAK, DOOR MAY STILL BE SLIGHTLY AJAR FOR STAYING WITH LRPA. END SUMMARY.

2. MOST NOTEWORTHY COMMENT WAS BY PM'S PRINCIPAL SECRETARY JAMES COUTTS WHO TOLD AMBASSADOR THAT DECISION WAS "NOT A POLITICAL BACKOUT" AND CONFIRMED THAT IF A DEAL COULD BE WORKED OUT, GOC WOULD REGARD LRPA AGREEMENT
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AS STILL VALID. ADDITIONALLY DEFMIN RICHARDSON, WHO

SEEMED SOMEWHAT SHELL-SHOCKED BY DECISION, INDICATED TO AMBASSADOR THAT IT WAS HIS INTENTION TO ALLOW DUST TO SETTLE FOR A COUPLE OF MONTHS AND THEN TO LOOK FOR ANOTHER SOLUTION. HOWEVER, ON AMBASSADOR'S URGING, HE AGREED TO GIVE HIS STAFF ORDERS TO LOOK FOR ALTERNATE SOLUTION IMMEDIATELY. RICHARDSON CONCURRED THAT A DELAY COULD CAUSE A FATAL LOSS OF MOMENTUM. DEPUTY DEFENSE MINISTER NIXON LATER CONFIRMED TO AMBASSADOR THAT HE WAS UNDERTAKING IMMEDIATE TALKS WITH LOCKHEED TO SEE WHAT COULD BE WORKED OUT.

3. MEANWHILE, FRONTPAGE NEWS STORIES OF GOC CHANGE OF HEART HAVE NOT YET FILTERED TO EDITORIAL PAGES WITH EXCEPTION OF TORONTO GLOBE AND MAIL. IT CARRIED EDITORIAL THIS MORNING ENTITLED, "ON A WING AND A PRAYER". GLOBE AND MAIL THROWS ITS SUPPORT TO GOC AND CONCLUDES BY SAYING "IN THE END, THE GOVERNMENT REALLY HAD NO CHOICE. IT ACTED RESPONSIBLY IN IGNORING MANY PRESSURES AND SAYING NO." EDITORIAL POINTS OUT THAT BANKS FOUND VENTURE TOO RISKY AND FOR GOVERNMENT TO PROVIDE BACKING COULD BREAK GOC'S ANTI-INFLATION LIMITATION, OR COULD DELAY OTHER NECESSARY DEFENSE PURCHASES OR COULD MEAN GREATER CUTS IN OTHER DEPARTMENTS.

4. COMMENT: RUMORS ARE THAT SUPPLY AND SERVICES MINISTER GOYER THREATENED RESIGNATION AT CABINET MEETING IF HIS VIEWS DID NOT PREVAIL. POWERFUL SUPPORT TO GOYER FROM FINANCE MINISTER MACDONALD RESULTED IN MINISTER RICHARDSON'S "DEFEAT." DEPARTMENT OF NATIONAL DEFENSE HAS BEEN PROFOUNDLY UNSETTLED BY TURN OF EVENTS, BUT IF LOCKHEED ABLE TO COME UP WITH ALTERNATIVE FINANCING, PRESUMABLY CABINET MEANS WHAT IT SAYS AND WOULD STILL PROCEED WITH LRPA PURCHASE. SINCE ISSUE WILL CONTINUE TO ATTRACT FRONTPAGE ATTENTION AS LONG AS IT REMAINS UNSETTLED, AND SINCE CONTINUING CONFUSION HARDLY PRESENTS PICTURE OF A SMOOTHLY ORGANIZED AND WELL-FUNCTIONING GOVERNMENT, PROMPT RESOLUTION OBVIOUSLY IMPORTANT POLITICALLY. EUROPEAN PRESSURES FOR BETTER CANADIAN NATO PERFORMANCE, WHICH PRESUMABLY AND HOPEFULLY WILL

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BE RE-EXERTED AT NATO MINISTERIAL MAY 20-21, ARE ANOTHER FACTOR ARGUING FOR PROMPT AND FAVORABLE GOC RESOLUTION OF LRPA DEAL, WHICH REPRESENTS FIRST INSTALLMENT ON FULFILLMENT OF TRUDEAU'S PLEDGE TO NATO LAST YEAR. IN COMMONS MAY 18 TRUDEAU STATED THAT HAVING HEARD THAT THE BANKS CANNOT PUT THE FINANCING TOGETHER, THE GOC "IS PRESENTLY LOOKING AT OTHER METHODS OF PROCEEDING WITH ITS PLAN TO PARTICIPATE

IN NATO AND OTHER GENERAL DEFENSE AREAS WITH THE
PURCHASE OF THE LONG-RANGE PATROL AIRCRAFT." WHILE THIS IS NOT
A COMMITMENT TO LOCKHEED, IT IS A REAFFIRMATION OF
THE GOC DECISION TO BUY SOME TYPE OF LRPA.
ENDERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY AIRCRAFT, POLICIES, PRESS COMMENTS, MILITARY SALES
Control Number: n/a
Copy: SINGLE
Draft Date: 19 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976OTTAWA02017
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760194-0494
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760537/aaaabfld.tel
Line Count: 120
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 OTTAWA 1997
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 02 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2004 by CollinP0>; APPROVED <05 APR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LRPA - INITIAL REACTIONS TO CABINET DECISION
TAGS: MARR, MILI, CA, US, LOCKHEED
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006